

Statement of
JOHN SUMPTION
of Frederick, South Dakota

Testifying on behalf of the
NATIONAL FARMERS UNION

Presented to the
SENATE FINANCE COMMITTEE
SUBCOMMITTEE ON TAXATION AND IRS OVERSIGHT
Hearing on Preserving and Protecting Family Business Legacies

March 15, 2001

Statement of JOHN SUMPTION, of Frederick, South Dakota, testifying on behalf of the National Farmers Union, presented to the Senate Finance Committee, Subcommittee on Taxation and IRS Oversight, Hearing on Preserving and Protecting Family Business Legacies, on March 15, 2001

Mr. Chairman, members of the Committee, my name is John Sumption. I am a grain and livestock producer from Frederick, South Dakota, and a member of the South Dakota Farmers Union. It is a pleasure to appear before this committee today, on behalf of the National Farmers Union, to discuss estate taxes from the perspective of family farmers and ranchers.

I was born in 1948, and grew up on a family farm. I began farming in 1966, the year I graduated from high school, when I purchased 470 acres. My wife Margaret and I were married in 1971. At that time, we had laying hens, sheep, hogs and cattle. We raised feed for our livestock and produced some wheat that was sold as a cash crop.

Of our five sons, Christopher, Eric, Mark and Taylor farm with us at the present time. All have attended state universities or technical schools and taken courses concerning various aspects of agriculture. Our youngest son, Warren, who currently works in Sioux Falls, would also like to return to the farm.

Our operation consists of 1700 acres that I own with my wife and an additional 1600 acres owned by our sons. We produce wheat, corn, barley, soybeans, oats, and sunflowers, and maintain a herd of 700 beef cattle. We also perform custom planting and harvesting for others to help support our investment in equipment.

A year ago, Margaret and I reviewed our estate plan. While most of the people I know who run family farms -- my friends and neighbors -- are already exempt from paying any estate taxes, Margaret and I have been fortunate, and due to our prosperity we are not in this group.

Our farm is worth roughly \$2 million. Under the existing estate tax provisions, our children would have to pay an estate tax upon our deaths. In order to transfer our farm to our children, without creating a financial hardship for them, we developed an estate plan built around living trusts. With our planning, we hope our children and grandchildren will be able to reap the benefits of our hard work and will be provided for in the future.

However, we don't know what the future will hold. We plan to review our estate plan every year, for many reasons, but most importantly, because of increases in property values that could make estate taxes on my farm practically unavoidable under current law.

I understand that several alternatives are under discussion to address problems with federal estate tax laws. These proposals range from gradual rate reductions that end in complete repeal after a number of years, to an approach that would provide immediate relief to families, small businesses, and farmers and ranchers who have been fortunate enough to experience growth in

the net value of their holdings.

In my view, the most important elements that should be considered are increasing the level of the tax exemption and simplifying the qualification process as soon as possible. The current exemption fails to adequately account for the growth in asset values of those families who have saved or invested in their own businesses. In addition, immediately expanding the exemption level will reduce the need to develop and maintain estate plans for the purpose of reducing or avoiding the tax. Finally, considering the average age of farm operators, and the fact that some proposals would not remove anyone currently subject to the tax from potential liability for many years, an increase in the exemption now is extremely important.

To me, reforming the federal estate tax by immediately raising the exemption levels, rather than repealing the tax after many years, makes sense for family farms, regardless of any impact it may have on the federal budget surplus or other tax reform measures. National Farmers Union supports increasing the estate tax exemption to cover estates valued at \$4 million per person, which results in an exemption of \$8 million per couple. That level would certainly take care of my farm, as well as any estate tax hardship faced by the farmers and small business owners I know.

Mr. Chairman, I am not an expert on tax law, but I know about family farmers. They are my friends and neighbors. They are not worried about estate taxes, because, for the most part, they don't have to pay them. They are worried, however, about the prices they receive for their crops and livestock, about good public schools for their kids, about local community services, paying for prescription drugs and being able to pay their bills in retirement. And, of course, they are always worried about the weather.

I fear we may not be able to do the things we want and need for our communities if we repeal the federal estate tax. To me, it doesn't seem responsible to eliminate the estate tax for everyone, including billionaires, when they don't need the help.

A more targeted approach that helps families better address this issue now, while retaining more resources for other needed public investments to improve our future, seems a more practical and appropriate course of action.

Mr. Chairman, thank you for the opportunity to speak with the Committee today about estate tax reform. I look forward to responding to any questions you or your colleagues may have.

BIO: John Sumption
Frederick, South Dakota

John Sumption was born in 1948 and grew up on a family farm. He began farming in 1966, when he graduated from high school and purchased 470 acres. He has been married to Margaret Sumption since 1971 and they have five sons.

John and Margaret and their sons own and operate a farm with of a total of 3300 acres, on which they produce wheat, corn, barley, soybeans, oats, and sunflowers, and maintain a herd of 700 beef cattle.

John Sumption serves on the board of directors for the South Dakota Farmers Union and is a member of the National Farmers Union.